

# Memorandum

**TO: BUILDING BETTER  
TRANSPORTATION COMMITTEE**

**FROM: James R. Helmer  
Robert L. Davis  
Ralph G. Tonseth**

**SUBJECT: TAXICAB SERVICE MODEL STUDY      DATE: 3-29-04**

Approved

Date 3/29/04

**COUNCIL DISTRICT: City-wide  
SNI AREA: N/A**

## RECOMMENDATION

- 1 The Committee recommend approval by the City Council of the proposed Taxicab Service Model for the City of San José and Mineta San José International Airport, including airport permit distribution to drivers and companies, company service requirements, driver service requirements, fare setting policies, and insurance requirements.
2. The Committee recommend that City Council direct the Transportation City Service Area and the City Attorney's Office to prepare the necessary ordinance, policy, program and fee changes necessary to implement the proposed Taxicab Service Model.
3. The Committee recommend that City Council direct the Airport Department to issue a Request for Proposals to manage the proposed taxicab system at the Airport, funded through taxicab trip fees, and return to the City Council with a recommended contract award.

## BACKGROUND

On December 10, 2002, the City Council approved a series of recommendations that directed the implementation of the following actions regarding oversight of the taxicab industry:

- ❑ Study of Alternative Taxicab Service Models for the City and the Airport, including analysis of supply control measures and driver insurance options that do not increase risk to the City.
- ❑ Adjustment of taxicab rates in March 2003, and the establishment of a predetermined analytical method for use by the City Council before future fare adjustments are considered.
- ❑ Require the Taxicab Advisory Team to identify 3 to 5 priorities for implementation.

The Taxicab Advisory Team (TAT), made up of representatives from the taxicab industry and its customers, and staff from the Transportation City Service Area (CSA), has focused its attention on five key priorities as directed by the City Council. The five priorities are as follows:

- ❑ Conduct a Taxicab Service Model Study to determine the best system for San José
- ❑ Mandatory driver training to improve customer service in the taxicab industry
- ❑ Enhance marketing and business development activities to expand industry opportunities
- ❑ Review voluntary limits on the number of drivers at the two Airport concession companies
- ❑ Create a private San Jose taxicab association to improve industry collaboration

The TAT spent considerable time researching and evaluating ways to advance these priorities and incorporated much work around each of them into the Service Model Study. In September 2003, the City contracted with Schaller Consulting, a Taxicab and Transportation Consulting firm, to perform the Service Model Study. The Study's major elements included:

- ❑ An in-depth evaluation of alternate regulatory and service models for the Taxicab industry.
- ❑ Establish an analytical method of fare setting before future fare adjustments are considered.
- ❑ Evaluation of customer service levels and company/driver supply and demand to determine whether control of supply, through any system, would be beneficial and still meet demand.
- ❑ Review current requirements that drivers acquire insurance through a licensed company to determine if there are alternatives for drivers to obtain pooled insurance at reasonable rates.
- ❑ Review of the current roles, responsibilities and practices of City departments.

### **Process of the Taxicab Service Model Study**

In October 2003, stakeholder meetings were conducted to gather input on the state of the taxi industry, including visits to each licensed taxicab company in San José, meetings with driver groups, and meetings with customers from the convention-hospitality industry and disabled community. The consultant assembled market data, conducted customer surveys, and performed an extensive review of taxicab service models in other jurisdictions. In December 2003, a service model options workshop was conducted to gather feedback from industry stakeholders.

The consultant completed the draft Study and presented it to the TAT in mid-January 2004. The Building Better Transportation Committee received an information report on the draft Study in February 2004. Based upon direction from the Committee, the TAT has held weekly discussions on the benefits, impacts, and practicality of the recommendations during the months of February and March, with the goal of refining the proposed Taxicab Service Model so that it would work effectively and efficiently, and meet the needs and gain the support of stakeholders.

### **ANALYSIS**

This section of the report summarizes the major elements of the Service Model Study, including:

- A. San Jose Taxicab Market and Industry Analysis
- B. Alternative Taxicab Service Models
- C. Proposed Taxicab Service Model
- D. Benefits of the Proposed Taxicab Service Model for Industry Stakeholders
- E. Implementation Plan and Evaluation of System

### **A. San Jose Taxicab Market and Industry Analysis**

Taxicab service demand is driven by population, employment, visitation and business activity, reflecting the fact that taxicab trips typically involve airports, hotels, places of employment and shopping and leisure activities. Twelve licensed companies currently serve the San Jose taxicab market, with three larger companies, including the two airport concessionaires, and nine smaller companies with less than 20 cabs each, with a total of approximately 480 drivers. Except for a few San Jose taxicab companies, there is limited marketing and business development occurring in the industry. The key findings include:

- ❑ Total estimated number of daily taxicab trips in San Jose is approximately 2,500. The breakdown includes approximately 1,300 telephone pre-arranged trips, 1,025 airport taxicab stand trips, 50 walk-up trips from Downtown hotels, and 100 personal calls with drivers.
- ❑ Dramatic growth in taxicab demand occurred in the late 1990s through the 2001 timeframe, which challenged the ability of the taxicab industry to keep pace with demand, particularly in the neighborhood and downtown markets, resulting in the perceived unreliability of taxicab services. This conclusion is supported in customer surveys and evidenced in call tracking data, which reports a 20% slow response or non pick-up to service requests.
- ❑ Reductions in taxicab service demand at the Airport since September 11, 2001 have been significant with a return to 1999 and 2000 levels of activity. In that same timeframe, door-to-door shuttle vans have seen a 45% increase in trip activity at the Airport.
- ❑ The highest customer ratings occurred on in-cab surveys from the Airport with 93% rating the service as good. A similar survey of Downtown businesses resulted in a 66% service rating of good. Acceptability of vehicle wait time was lower with 65% rating the response time as good on the in-cab survey from Airport, with the survey of Downtown businesses rating that lower at 51% as good, with 35% rating response time as poor.
- ❑ San José's uniform taxicab fare is among the highest fares in the United States, and in fact was the highest rate of the 13 largest taxicab markets in the nation. In terms of value, 73% of respondents to the in-cab survey thought San Jose taxicabs were a good value for the money. Only 46% of Downtown businesses thought cabs were a good value.

These key findings about service demand, industry composition, customer perceptions of service quality, responsiveness, and value were important considerations in the development of alternative service models for evaluation in the Taxicab Service Model Study.

### **B. Alternative Taxicab Service Models**

#### **Review of Service Models in Other Jurisdictions**

In developing the Study, the consultant and City staff reviewed service models in other jurisdictions to determine whether any of the service models could be effectively applied in total

or part in San José. Based upon the advice of the consulting team and the characteristics of San José's taxicab market and industry, it became clear to the Taxicab Advisory Team that it was more feasible to apply elements and features of service models from other jurisdictions, than to try and apply a service model wholesale. The overall market and industry characteristics that are of particular relevance when researching applicable taxicab service models for San José include:

- ❑ 40% of San José's taxi industry trips originate from the Airport, while most other cities have a more developed taxi industry where only 10 to 20% of trips originate at the Airport.
- ❑ The high rate of fare, relatively decentralized urban nature of San José, and level of customer concern with timely taxicab pick-up has suppressed the taxicab market in San José, even when compared to similarly developed cities in terms of densities and business climates.
- ❑ The driving industries of Silicon Valley (computing, semiconductors, software, etc.) have been more susceptible to economic fluctuations, which result in cyclical demands for taxi service, making accurate predictions of citywide taxicab supply and demand difficult.

The following information briefly describes the regulatory structure and the main features of taxicab service models in five comparable jurisdictions:

- ❑ **Orange County** – The regional transportation authority regulates taxicab permitting in the County, yet individual cities are free to create franchise agreements with certain companies to ensure customer service and adequate service levels. For example, the City of Anaheim has three franchised companies in the city. John Wayne Airport employs a concession system in which two companies jointly operate a single concession.
- ❑ **Los Angeles** – The city limits taxicab companies to nine franchisees. A rotation system, set up by these franchisees, has been developed at LAX that is managed by a cab company association paid for by passenger trip fees.
- ❑ **San Diego** – A regional transportation authority regulates taxicabs under contract for the city. New taxicab medallions are distributed to both drivers and companies through lottery, auction, and competitive request for proposal processes. A separate rotation system has been developed at San Diego International Airport for on-demand trips.
- ❑ **Las Vegas** – Clark County limits the total cab companies to 14 existing companies. All drivers are required to be employees, with each company having strict revenue control procedures. A distribution of permits occurs annually based upon trip generation, provided that the number of cab trips has increased. A portion of the taxi fleet is reserved to servicing outlying districts, with the remainder concentrating on the hotel/casino, downtown, and Airport markets.
- ❑ **San Francisco** – Medallion system with Taxicab Commission. Taxi Commission and Board of Supervisors sets gate and lease fees, number of cabs, regulates dispatch and overall taxicab policies. Medallions cannot be sold, but may be leased so long as the original owner meets annual service requirements. Airport on-demand trips are served exclusively by S.F. medallion cabs.

**Taxicab Service Model Matrix and Evaluation Criteria**

The development of alternative service models took into account many considerations including San Jose's past and current taxicab service models, other cities service models, the existing and potential market and industry characteristics, and the needs of stakeholders including customers, drivers and owners, and the City in its oversight role. The TAT used a continuum of company control to driver independence as a way to understand the alternatives. The TAT also used the following criteria to evaluate the expected benefits and impacts of the alternatives:

- ❑ Airport Access and Service to City
- ❑ Service to the Customer
- ❑ Equity and Control in the Taxicab Industry (between Drivers and Owners)
- ❑ Effectiveness and Efficiency of City Regulation and Oversight

The matrix below presents five alternative Service Models that are differentiated most clearly upon how access to the Airport for on-demand taxicab pick-up is determined. The range starts at the top with the two-concession system that exists today, through variations that provide access to the Airport through companies, to distribution of permits to drivers, to a full medallion system.

	Service Model	Airport Access Service to City	Service to the Customer	Equity and Control in Taxicab Industry	City Regulation and Oversight
More Company Control ↑	Two Company Airport Concession	Limited to two concessionaires. No incentives to serve rest of City.	Accountability with two companies. Limited driver accountability.	Control with two companies, driver choice very limited to concessionaires.	Least amount of regulation and cost to City and Airport.
	Airport Permits to Companies	Open to all licensed companies based upon service to City.	Accountability only with companies. Limited driver accountability.	Control with companies. Driver choice limited to companies with permits.	Open Airport requires independent management of taxi dispatch.
	Airport Permits to Drivers, Companies	Permits to drivers and companies. Expands driver choice, retains City service incentives.	Accountability shared equally between drivers and companies through service contracts.	Control shared between drivers and companies. Drivers choose company on business plan.	Open Airport requires independent management of taxi dispatch.
	Airport Permits to Drivers	Permits to drivers. Full driver choice, eliminates service incentives for companies.	Accountability shifts to drivers to provide customer service guarantees.	Control shifts towards drivers. Eliminates service incentives for companies.	Open Airport requires independent management of taxi dispatch.
↓ More Driver Independence	Medallion System	All operating authority to drivers, company role limited.	Accountability with drivers. Limited service requirements.	Control fully with drivers. Company role limited.	Taxicab Commission oversight of system.

### **Perspectives of Industry Stakeholders on the Alternative Service Models**

The TAT discussed the merits of each of the alternative models at length during the months of February and March 2004. Based upon interests, experience, factual data, and the goals of the different stakeholders, early interests and positions emerged from the discussions, including:

- ❑ The current concession companies (Yellow Cab and United Cab) indicated that the current service model ensures the availability of cabs at the Airport, has produced acceptable levels of customer service as evidenced in the survey results from the Study, and is the most efficient system of regulation for the City.
- ❑ The drivers indicated that the current model unfairly concentrates control with companies in general, and in particular with the concession companies, and that a service model that allocates permits to drivers, or is a citywide medallion system, is needed to provide the control that drivers need to receive fair treatment and improve their economic condition.
- ❑ The smaller companies indicated that a system that provides opportunity for access to the Airport, equally balances control between owners and drivers, and equally distributes permits among large and small companies would create the fairest and most balanced system.

By March 19, 2004, the date established at the last BBT Committee meeting to determine whether consensus could be reached, the full TAT conceptually agreed to the proposed service model. However, there remain specific elements of the proposed Service Model that have not been agreed to by stakeholders. Basically, the drivers would like fewer total Airport permits than is proposed, the City to set a cap on gate fees and on the total number of cabs in the City, to be able to transfer driver permits, and have an independent commission oversee taxicab regulation. The small companies only issue remains an equal distribution of Airport company permits to each company. The large companies prefer to retain the current system, yet recognize that change is needed to meet the needs of all stakeholders, and as a result support the proposed service model, with an added request to include additional Airport permits to cover peak periods.

### **C. Proposed Taxicab Service Model**

The proposed service model would replace the current two concession Airport system, with a system that would provide an opportunity for each licensed San Jose taxicab company to gain access to the Airport. The system would issue Airport permits to drivers and companies, and require both drivers and companies to sign service standard agreements with the City obligating them to serve the City and the Airport on alternating days. The system limits the supply of taxicabs at the Airport where demand is most predictable, enabling drivers to obtain more trips on their Airport days, thus being more productive and improving their income on those days.

The service standards would also include vehicle, appearance, and customer service requirements. A competitive RFP process would secure an independent management entity to manage the day-to-day operations of the rotation system and ensure compliance with the Airport service standards. The current uniform fare would be established as the maximum fare, enabling

individual companies to establish lower rates than those that exist today to provide an incentive to attract customers and increase business activity and trips for drivers outside the Airport. Finally, an optional insurance requirement would be established that would allow drivers to form a legally acceptable entity to the City to purchase insurance on a group basis for owner-operators. The key features of the proposed service model are described in detail below:

<b>Key Features of the Proposed Taxicab Service Model</b>	
<b>Distribution of Airport Permits</b>	<ul style="list-style-type: none"> <li>❑ A total of 300 alternate day Airport permits would be issued. 60 of the 300 permits would be established as provisional to provide an opportunity to evaluate supply and demand on a periodic basis to ensure oversupply does not occur. Selected peak periods such as holidays, Sunday and Friday nights, and Monday mornings would be covered by allowing more permitted drivers to work than the regular 150 per day.</li> <li>❑ 167 of the 300 alternate day permits issued directly to drivers that have primarily served the Airport the last 6 to 12 months, which is anticipated to be drivers that have served four trips or more per day. 33 of the permits would be provisional and part of the 60 permits mentioned above. Permits are fully renewable on 2-year basis, but annual review would occur to establish consistency with company permits. Drivers affiliate with any taxicab company authorized to work the Airport.</li> <li>❑ 133 of the 300 alternate day permits allocated to San Jose based taxi companies. Distribution of 133 permits to companies based upon current number of total trips in San Jose, with a minimum of 7 per company during two-year transition. 27 of the permits would be provisional and part of the 60 permits mentioned above. After the two-year transition, 133 permits would be re-distributed annually based upon audited company records of non-Airport trips as an incentive to serve San José's downtown and neighborhoods. Company permits to be distributed to drivers using fair system.</li> </ul>
<b>Service to the Customer</b>	<ul style="list-style-type: none"> <li>❑ Drivers required to sign Airport service agreements to meet customer service standards, including use of permit on 70% of days they have access to the Airport and City (5 of 7 days per week), or permits revert to City. Drivers accountable for cab availability at Airport, vehicle, appearance and service standards, and annual training requirements. Non-compliance will result in liquidated damages.</li> <li>❑ Companies required to sign Airport service agreements. Requirements include 24-hour customer dispatch service, cab availability, alternative fuel and disabled access vehicles, driver training, and installation of a computer-aided dispatch system (within 3 months) to track trip data. Companies must develop an offer to drivers detailing their business plan including expected trip volumes for drivers, marketing plans, customer fare discounts, and Airport customer standards that will be incorporated into independent driver contracts. Non-compliance will result in liquidated damages.</li> </ul>
<b>Equity and Control in Taxicab Industry</b>	<ul style="list-style-type: none"> <li>❑ Equalizes control of the 300 alternate day Airport permits between drivers and companies by distributing 56% (167) of Airport permits directly to drivers and 44% (133) directly to companies compared to 100% with two companies today.</li> <li>❑ Drivers may affiliate with any licensed company that has signed an Airport service contract providing maximum flexibility in choosing a company that meets a driver's business needs. Competitive gate fees and active recruitment of drivers is the goal.</li> </ul>



<b>Key Features of the Proposed Taxicab Service Model</b>	
<b>City Regulation and Oversight</b>	<ul style="list-style-type: none"> <li>□ Balanced approach to regulation and oversight of taxi industry by allowing market mechanisms to regulate certain aspects of the service model, with direct City intervention and oversight only in areas where market mechanisms will not work. For example, initially setting the number of Airport permits at 300 ensures an adequate supply for customers, but does not allow oversupply to occur because the amount of demand can be accurately predicted. The City market is much less predictable, as a result accurately gauging the level of demand, anticipating customer needs, and setting the number of taxicabs would be difficult at best.</li> <li>□ A taxicab commission does not appear to be necessary given the size of the taxicab market. The current structure seems appropriate with the Taxicab Advisory Team providing stakeholder input, and the Department of Transportation being responsible for policy and planning, the Police Department for permitting, enforcement, and inspection, and the Airport Department overseeing operations of the management company at the Airport.</li> </ul>

### **Taxicab Rate of Fare**

Among the major cities in the United States, none have a fare as high as San José; travelers accustomed to taking taxicabs in other major cities will find San José's fare to be high. The current high cost of taxicab services hinders many market segments, including senior citizens, the disabled community and everyday citizens needing ground transportation to the Airport or leisure destinations. Addressing the high fare is an important element in marketing cab services and improving the viability of cabs as a transportation option.

To accomplish these goals, the City's current uniform fare would be replaced by a "maximum fare" to allow companies to compete with each other on price in order to attract customers. The maximum fare will initially be set at the current fare, with any future adjustments to the maximum rate based upon annual review of the Consumer Price Index, with adjustment being considered if there is more than 5% change. To allow companies to distinguish themselves from competitors without severe impacts to driver income, each company would be allowed to set their own rates at 80% to 100% of the maximum rate. To avoid haggling, on-demand trips at the Airport stands will remain uniform at the current rate. Flat rates, a common occurrence in the industry, would be allowed to destinations outside of the county in order for taxicabs to compete with other competitors (shuttles, limos, etc.) and to provide customers with assurance of the fare.

### **Insurance and Vehicle Registration Alternatives**

The City's current taxicab ordinance requires that owner-operators of taxicabs register their vehicles as belonging to a cab company. The cab company then acquires insurance coverage for all its permitted taxicabs and reports insurance coverage to the City's Risk Manager. An object of the Study is to explore "pooled" auto insurance mechanisms that allow drivers to retain title to their own vehicles and permit their own vehicles as taxicabs with the City, while not creating an additional regulatory burden.



It is proposed that new regulations be developed which allow taxicab owner-operators to register their vehicle directly with the City for a taxicab vehicle permit, if the driver participates in pooled insurance coverage and affiliates with a taxicab company. The insurance pool must be an entity acceptable to the City (such as a non-profit risk purchasing group). Insurance brokers forming a risk purchasing group with drivers will perform administrative and account services. This results in brokers tracking the insurance status of vehicles and reporting changes in status on a timely basis to the City and the cab company with which a driver is affiliated. This allows both the City and cab company to take action against a driver with a lapse in coverage in order to protect public safety, while allowing drivers the flexibility of paying for their own insurance.

#### **D. Benefits of the Proposed Taxicab Service Model for Industry Stakeholders**

The recommended service model is designed so that the taxi industry has an interest in serving pre-arranged dispatch trips in the neighborhoods of the City, rather than exclusively concentrating on the Airport. It is clear that the San José market has potential for growth in the pre-arranged taxicab market; the suggested service model fosters a competitive dynamic by creating an incentive for cab companies to market themselves, attract drivers, and expand their markets to new customers. In essence, the service model rewards drivers and companies who work together to increase their transportation market share. Each stakeholder group acquires benefits that create an equitable stake in improving the industry, as the chart below details:

<b>Drivers</b>	<b>Large Companies</b>	<b>Small Companies</b>
<ul style="list-style-type: none"> <li><input type="checkbox"/> Drivers allocated majority of Airport permits</li> <li><input type="checkbox"/> Limits on Airport permits, increases driver trips and income on Airport days</li> <li><input type="checkbox"/> Drivers free to affiliate with a company that meets their business needs</li> <li><input type="checkbox"/> Companies required to provide driver training on annual basis</li> <li><input type="checkbox"/> Drivers receive offer and plan from companies as part of independent contract</li> <li><input type="checkbox"/> Opportunity for drivers to obtain pooled insurance</li> <li><input type="checkbox"/> Improved dispute resolution process between drivers and companies</li> </ul>	<ul style="list-style-type: none"> <li><input type="checkbox"/> Access to the Airport retained after concession is terminated</li> <li><input type="checkbox"/> Independent Airport taxi dispatch system frees large companies to focus on business development</li> <li><input type="checkbox"/> Shared accountability with drivers, including payment of liquidated damages</li> </ul>	<ul style="list-style-type: none"> <li><input type="checkbox"/> Access to the Airport</li> <li><input type="checkbox"/> Able to attract drivers and develop their business in a open marketplace</li> <li><input type="checkbox"/> Can effectively compete with the larger companies by offering lower fares and gate fees</li> <li><input type="checkbox"/> Shared accountability with drivers, including payment of liquidated damages</li> </ul>

### **Medallion System Not Well Suited to San Jose Market**

The characteristics of the San José market do not match the characteristics that a medallion system is best prepared to support. The hallmark characteristics of medallion systems in large, dense cities such as New York and San Francisco are a predominance of street hail ("flag") activity and independent owner-driven cabs. Medallion drivers in those cities need not rely on centralized company dispatch and pre-arranged business because customers are seeking their services frequently on the street, either through flags or at taxi stands.

By contrast, in San Jose very little of the market is from flags or taxi stands. The largest market segment consists of pre-arranged calls for service to cab companies (52% of all trips). Drivers operating independently have limited ability to access or serve this market. Thus, in San Jose drivers need to be affiliated with companies that are marketing their business and effectively servicing the pre-arranged market to secure the needed volume of calls.

There is a real risk in San Jose adopting a medallion system. Medallion systems, with caps on the total number of taxicabs, tend to freeze in place the status quo, making it hard to meet changing needs and difficult to serve a market or locale that has growth potential or unmet demand. A number of medallion cities went half a century without increasing the number of cabs at all. Moreover, medallion systems tend to also drain incentives to better serve customers, since companies and drivers are guaranteed the business that exists with no threat of competition from new companies or drivers.

Finally, the nature of independent operators requires some authority or entity to coordinate and regulate their activity. With companies not having a primary role in these systems, the regulation falls to the local agency to manage the drivers. This results in high costs to the local agency in supporting an independent taxicab commission, staff to manage the setting of gate fees, the capping of taxicab permits, and the oversight of medallion transfer. These activities are normally supported by fees from the industry. In San Jose, where the City is well short of cost-recovery in its regulation of the taxicab industry, taking on significant additional responsibilities and the associated costs, would require passing new costs on to an industry that does not have the capacity absorb them. In summary, a medallion system is not proposed for the reasons below:

- ❑ San Jose's largest market of pre-arranged business is better served by competing companies that build pre-arranged business, than fully independent operators that need street business.
- ❑ Real risk exists in setting the status quo in place in terms of drivers and companies not being subject to external competition, including setting a cap on medallions.
- ❑ Added costs of regulating an independent operator dominated system are not affordable.

### **E. Implementation Plan and Evaluation of the System**

City staff proposes that a formulation stage begin, prior to expiration of the extended Airport concession contracts on September 27, 2004, where the contracts, permit requirements, policy and proper ordinance provisions are drafted by City staff. Additionally, an RFP will be created

for the Airport management system. A recommended contractor will be brought back to Council for award with the necessary ordinance changes. If the preparation and training work prove to be too extensive to complete prior to the busy holiday season, staff will recommend to City Council implementation after January 1<sup>st</sup>, 2005.

After the formulation period, a 2-year transition period will begin allowing companies to build their business. Following the transition period, companies wishing to serve on-demand trips at the Airport would need to have a minimum of 15 drivers affiliated with a company in order to provide meaningful service throughout the City. An annual redistribution of company Airport permits would occur based on pre-arranged trip volumes to provide an incentive for companies to serve the City's neighborhoods.

Monitoring, evaluation, and adjustment of the new system would be on-going. Immediate attention would be given to the adequacy of service to customers and the logistics of the new system. Attention would then focus on the proper supply and demand balances, marketing and business development, and training. In the unlikely event that the new system compromises the service needs of the customer, or the City, after a six-month review, staff will be prepared to re-issue a more traditional concession-style Request for Proposal. Staff will notify the City Council of the action and return at the end of one year into the transition period to request approval of the needed change of service model and the award of new concession agreements.

Prior to the system becoming permanent after two years, a thorough evaluation would be conducted including the level of customer service and satisfaction, the competitive balance of the system between drivers and owners, the impacts on the numerous elements designed to improve driver incomes, and the effectiveness and ease of City regulation.

### **COST IMPLICATIONS**

The current taxicab regulatory system recovers 48% of the overall City costs through taxicab fees, which are estimated at \$700,000 in annual revenue and \$1.45M in costs. By department, the Airport recovers the most of its costs at 62%, while the Police Department has the lowest cost recovery at 19%. The TAT has agreed that the industry needs to be more self-sufficient and self-regulating, while the City needs to adjust its fee structure to be more cost recovery over the long-term. To this end, it is proposed that the City staff further evaluate needed fee changes for the proposed system and return to the Council at a later date with recommendations. However, the proposed independent management company at the Airport will charge driver trip fees at full cost recovery, while staff will attempt to identify modifications to each City department's responsibilities to realize greater efficiencies that move the industry toward full cost recovery.

Estimates of the driver trips fees resulting from an independent management company is expected to result in an increased cost to drivers, yet the proposed system allows drivers the flexibility to select a taxicab company based on the best business plan and lowest gate fees. Additionally, the proposed system provides drivers, who are owner-operators, the option of purchasing their own insurance and registering their vehicle, hopefully saving costs.

Current concessionaires charge drivers an average of \$1.22 per trip to cover their starter costs. Based on technology, labor and management expenses proposed by the suggested service model, an independent Airport management company would probably need to charge up to \$2.00 per trip or more. The goal, however, is to have firms compete for this service by proposing the lowest possible trip fees. This expense will be borne by the drivers and companies with Airport Permits, and has been discussed with the TAT as a necessary expense of the proposed rotation system. A separate \$1.50 fee would still be charged by the Airport to recover its Ground Transportation program costs, which is passed onto passengers as part of the taxi flag-drop fee.

### PUBLIC OUTREACH

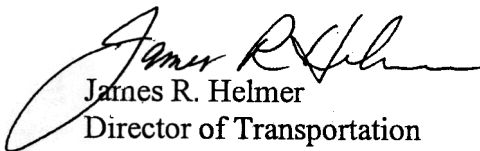
The major elements of this report have been discussed with the Taxicab Advisory Team.

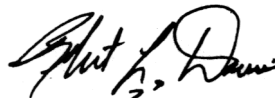
### COORDINATION

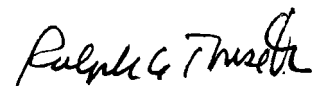
This report has been developed by the Departments of Transportation, Police, and Airport and coordinated with the City Attorney's Office.

### CEQA

Not a project.

  
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**ATTACHMENT – Taxicab Service Model and Regulatory Study**